

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
SAA-01 DOE-15 SOE-02 EB-08 COME-00 TRSE-00 OMB-01
AID-05 IO-13 /109 W

-----056019 170912Z /10

P R 170735Z JUL 78

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 1423

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

USLO RIYADH

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 4063

E.O. 11652: GDS

TAGS: EFIN, EAID, EG, US, TC

SUBJ: ARAB AID TO EGYPT--KUWAIT GODE GOVERNORS' MEETING

REF: (A) KUWAIT 4038, (B) KUWAIT 4015, (C) KUWAIT 4014,

(D) CAIRO 16944, (E) CAIRO 15990

1. SUMMARY. JULY 12 GODE GOVERNORS' MEETING IN KUWAIT APPEARS TO HAVE FOCUSED ON HOW ASSISTANCE CAN BE GIVEN TO EGYPT IN THE NEXT FEW MONTHS, ON THE TACIT ASSUMPTION THAT GIVING ASSISTANCE WILL BE NECESSARY. KUWAITI OFFICIAL WHO ATTENDED MEETING TELLS US THAT THE FOLLOW-UP WILL BE BETWEEN THE SAUDIS AND THE EGYPTIANS. WE NOW HAVE BOTH THE KUWAITIS AND THE EGYPTIANS TELLING US THAT IT IS THE SAUDIS WHO SHOULD HANDLE THE KUWAITIS RE GODE. END SUMMARY.

2. MUSTAFA SHEMALI, KUWAIT FINANCE MINISTRY OFFICIAL RESPONSIBLE FOR AID TO ARAB COUNTRIES, ATTENDED JULY 12 GODE MEETING. ON JULY 16 HE PROVIDED ECON CHIEF WITH FOLLOWING ON THE MEETING.

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3. MEETING WAS SHORT AND LANGUAGE OF COMMUNIQUE WAS "THIN FARE" SHEMALI ADMITTED. HOWEVER, HE SAID, THE GOVERNORS REALLY DID TALK ABOUT THE PERFORMANCE OF GODE OVER THE PAST YEAR, THE AMOUNT OF MONEY DISBURSED, ETC. THEY ALSO REVIEWED THE PARIS CONSULTATIVE GROUP MEETING, WHICH WAS CONSIDERED A SUCCESS, AS WELL AS FUTURE EGYPTIAN NEEDS BASED

ON IMF AND OTHER ESTIMATES. THEY AGREED THAT ANY INTEREST EGYPT PAID ON ITS DEBTS TO GODE WILL IMMEDIATELY BE "REINVESTED" IN EGYPT. THEY DISCUSSED VARIOUS WAYS TO FINANCE FUTURE GODE ACTIVITIES SUCH AS INCREASING ITS CAPITAL, BORROWING, USE OF GUARANTEES, ETC. DID THEY REACH ANY DECISIONS REGARDING GODE FINANCING OF THE ESTIMATED \$1 BILLION WHICH EGYPT NEEDS BY THE END OF THE YEAR? SHEMALI DEFTLY AVOIDED AN ANSWER TO THE QUESTION. THE SITUATION WAS COMPLEX, HE SAID. THERE WAS THE QUESTION OF PROJECT ASSISTANCE VS DIRECT BLANACE OF PAYMENT SUPPORT. ALSO THE EGYPTIANS COULD GO TO THE COMMERCIAL MARKET TO BORROW, LEAVING LESS FOR GODE TO COVER. ECONCHIEF REPLIED THAT THIS WAS PRECISELY WHAT GODE SHOULD NOT BE DOING SINCE IT WAS GODE ASSISTANCE WHICH HAD MADE IT POSSIBLE FOR EGYPT TO RESTRUCTURE ITS DEBT, CUTTING DOWN RUINIOUS SHORT TERM INTEREST COSTS. DELAY BY GODE IN PROVIDING FURTHER ASSISTANCE RAN HIGH RISK OF LEAVING EGYPTIANS NO OPTION BUT TO UNDO PROGRESS MADE TO DATE. SHEMALI HAD ADMITTED THAT GODE HAD ALREADY GONE THROUGH ABOUT \$1.7 BILLION OUT OF ITS \$2 BILLION CAPITAL. WHERE DID GODE INTEND TO GO FROM HERE SINCE IT SOON WOULD BE OUT OF MONEY? SHEMALI REPLIED "WELL YOU KNOW, REALLY THIS IS A MATTER BETWEEN GODE CHAIRMAN DUKHEIL AND THE EGYPTIANS. IT IS THE SAUDIS AND THE EGYPTIANS WHO ARE IN THE MOST REGULAR CONTACT AND THEY ARE THE ONES WHO WILL WORK OUT HOW GODE GOES FROM HERE".

4. COMMENT. (A) AT THE JULY 12 MEETING SHEMALI WAS SITTING IN FOR THE KUWAIT FUND'S BADER AL-HUNAIF, KUWAIT'S DIRECTOR FOR CONFIDENTIAL

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GODE, WHO IS PRESENTLY IN THE U.S. SHEMALI'S REFUSAL TO STATE SPECIFICALLY WHETHER THE JULY 12 MEETING REACHED ANY DECISIONS OR NOT COULD MEAN THAT HE SIMPLY DID NOT WANT TO TELL US SOMETHING WHICH IS CONSIDERED SENSITIVE BY THE KUWAITIS. DESPITE FINANCE MINISTER ATEEQUI'S STRONG FEELINGS ABOUT GODE, WE TAKE SHEMALI'S COMMENTS IN A POSITIVE LIGHT, I.E., THAT ALTHOUGH THE MEETING DID NOT DIRECTLY ADDRESS THE SENSITIVE QUESTION OF PRECISELY HOW MUCH GODE WOULD AGREE TO GIVE TO EGYPT, THE GOVERNORS NEVERTHELESS WENT AGHEAD AND DISCUSSED ALTERNATE WAYS OF FINANCING FURTHER ASSISTANCE TO EGYPT, TACITLY ACCEPTING THE FACT THAT SOME FURTHER FUNDS WOULD HAVE TO BE GIVEN. IF, AS SHEMALI SAYS, THE KUWAITIS ARE REALLY LETTING THE SAUDIS CARRY THE BALL, WE READ THIS AS MEANING THAT ATEEQUI HAS EITHER BEEN ORDERED OR HAS RELUCTANTLY DECIDED THAT GODE MUST BE FORTHCOMING FOR EGYPT. IF THIS IS THE CASE, HE PROBABLY WISHES TO HAVE AS LITTLE TO DO WITH GODE AS POSSIBLE AND LET THE SAUDIS CARRY THE BALL. WE NOW HAVE BOTH THE EGYPTIANS AND THE KUWAITIS TELLING US TO LET THE SAUDIS HANDLE THE KUWAITIS.

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TO SECSTATE WASHDC PRIORITY 1424
INFO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
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AMEMBASSY JIDDA
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C O N F I D E N T I A L SECTION 2 OF 2 KUWAIT 4063

(B) KUWAIT FUND DIRECTOR GENERAL AL-HAMAD RETURNED TO KUWAIT DAY BEFORE GODE MEETING BUT DID NOT PARTICIPATE IN IT. HIS OFFICE TOLD US EMPHATICALLY THAT HE WOULD HAVE "NOTHING TO DO" WITH THE MEETING. TECHNICALLY, AL-HAMAD WAS NOT REQUIRED TO ATTEND, SINCE FINANCE MINISTER ATEEQUI WAS CHAIRING THE MEETING AND AL-HAMAD IS ATEEQUI'S ALTERNATE AS GODE GOVERNOR. HOWEVER, WE READ HIS NON-ATTENDANCE AND OFFICE COMMENT ON IT AS INDICATIVE OF A KUWAITI "HANDS-OFF" APPROACH TO GODE.

(C) SO WHAT DOES THIS READING OF THE TEA-LEAVES ALL MEAN, ESPECIALLY IN LIGHT OF COMMENTS TO US (REF A) THAT KUWAIT AID TO EGYPT MAY TO SOME DEGREE DEPEND ON SADAT'S SUCCESS IN NEGOTIATING WITH THE ISRAELIS? THERE MAY WELL NOT BE A CLEAR-CUT KUWAITI POLICY ON GODE. COORDINATION BETWEEN KUWAITI MINISTRIES IS RARELY GOOD, AND THE AMIR'S OFFICE, THE FOREIGN MINISTRY AND THE FINANCE MINISTRY MAY NOT BE ENTIRELY ON THE SAME WAVE LENGTH OR HAVE WORKED OUT WHAT GOK POLICY IS. TO THE DEGREE THERE IS A GOK POSITION WE WOULD SAY IT IS THAT KUWAIT IS NOT ENTHUSIASTIC AT THE PROSPECT OF DOLING OUT MORE FOR GODE, IS
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WILLING TO LET IT BE KNOWN THAT KUWAIT WOULD BE MORE FORTHCOMING IF SADAT (AND THE U.S.) COME UP WITH MORE PROGRESS ON THE PEACE

FRONT, BUT ALSO IS WILLING TO LET THE SAUDIS AND EGYPTIANS WORK OUT THE SPECIFICS ON MORE GODE ASSISTANCE TO EGYPT, KNOWING THAT THIS WILL TAKE TIME. IF, WHEN THE PACKAGE IS READY, THE OTHER GODE MEMBERS ARE WILLING TO FORK UP, THEN OUR GUESS IS THE KUWAITIS WILL TOO - AFTER FURTHER GRUMBLING.

5. ACTION REQUESTED. SHEMALI SAID HE HAD RECENTLY RECEIVED A REPORT ON THE PARIS CONSULTATIVE GROUP MEETING BUT WOULD LIKE TO KNOW MORE ABOUT U.S. AID TO EGYPT AND, SPECIFICALLY, FUNDING FOR VARIOUS PROJECTS AND FOR COMMODITY ASSISTANCE. WE PROVIDED A FEW FIGURES BUT WOULD APPRECIATE DEPARTMENT AND/OR EMBASSY CAIRO'S PROVIDING US A BREAKDOWN ON PAST U.S. AID TO EGYPT, BOTH COMMODITY AND PROJECT AND PROJECTED AID LEVELS FOR FISCAL '79. WE OF COURSE WOULD GIVE THIS TO SHEMALI WITH A CAVEAT THAT FISCAL '79 IS A VERY IFFY AFFAIR GIVEN CONGRESSIONAL ATTITUDES TOWARD AID, AND WOULD POINT OUT, AS WE HAVE REPEATEDLY, THAT ONE OF THE BEST WAYS OF HELPING USG TO REACH THE LEVELS OF AID FOR EGYPT WE WANT IS FOR GODE TO COME THROUGH WITH THE ASSISTANCE THAT EGYPT NEEDS BEFORE THE END OF THIS YEAR.
SUTHERLAND

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